

MULTIPLE CHOICE

- 1 The following table relates to productivity in a firm.

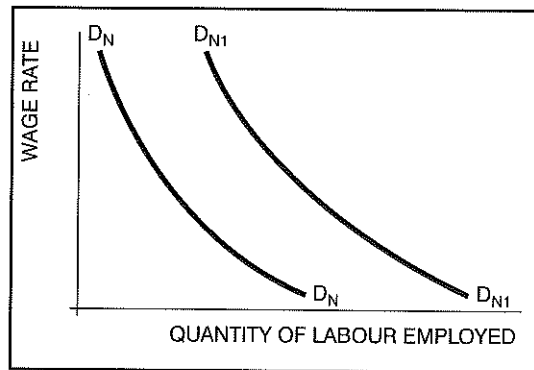
Unit of labour	Value of output per week £
1	300
2	320
3	290
4	230
5	150

If the weekly wage rate is £290 the firm will employ which of the following number of labour units?

- A 1
 - B 2
 - C 3
 - D 4
 - E 5
- 2 The demand for labour is said to be a derived demand because:
- A It depends on firms' profits.
 - B It depends on the scarcity of other resources.
 - C It depends on its wages.
 - D It depends on the demand for goods and services.
 - E It depends on the price of complementary goods.

- 3 If a firm employs 200 workers who produce 1000 units of a good each day, labour productivity per day is:

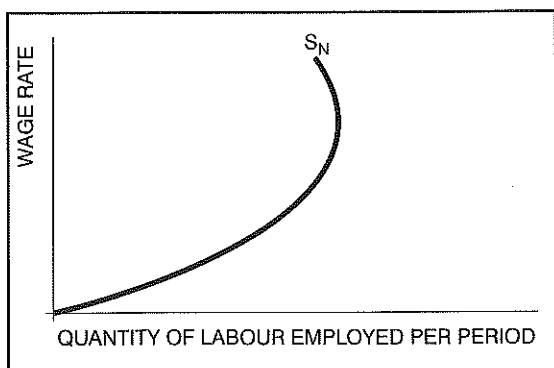
- A 2 units.
- B 1000 units.
- C 200 units.
- D 5 units.
- E 50 units.



- 4 The best explanation for the rise in demand for labour from D_N to D_{N1} is:
- A A fall in wages.
 - B A fall in the price of the product they produce.
 - C An increase in unemployment.
 - D Technical progress.
 - E Increasing productivity of labour.

5 The working population in the United Kingdom includes all of the following except:

- A Students.
- B The unemployed.
- C The self-employed.
- D The armed forces.
- E Employees.



6 The supply curve shows that:

- A Wages fall as the amount of labour increases.
- B A rise in wages reduces the size of the working population.
- C After a certain level of wages labour chooses more leisure than work.
- D Supply rises as wages rise.
- E Wages have no effect on the supply of labour.

7 The supply of labour to an occupation will tend to rise:

- 1 The better the promotion prospects.
 - 2 The fewer perks there are.
 - 3 The greater the amount of job satisfaction.
- A 1 only
 - B 2 only
 - C 3 only
 - D 1 and 3
 - E All of them

8 The wages of carpenters will tend to rise if:

- 1 The supply of carpenters falls.
 - 2 Their productivity rises.
 - 3 The price of wooden products falls.
- A 1 only
 - B 2 only
 - C 3 only
 - D 1 and 2
 - E All of them

9 Re-training the unemployed can have which of the following advantages?

- 1 Increase their occupational mobility
 - 2 Increase their geographical mobility
 - 3 Increase their chances of work
- A 1 only
 - B 2 only
 - C 3 only
 - D 1 and 2
 - E 1 and 3

10 Which of the following reasons may account for differences in wages between two jobs?

- 1 Unsociable hours of work
 - 2 Regional differences in the cost of living
 - 3 Different qualifications are required
- A 1 only
 - B 2 only
 - C 3 only
 - D 1 and 2
 - E All of them

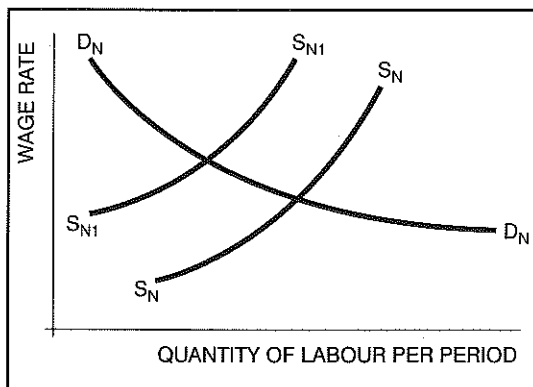
11 A single union agreement may have which of the following advantages for an employer?

- 1 It reduces time spent negotiating with unions.
 - 2 It increases the union's bargaining power.
 - 3 It protects the skill of workers in the union.
- A 1 only
 - B 2 only
 - C 3 only
 - D 1 and 2
 - E 1 and 3

- 12 A union takes strike action over a claim for wages. Which of the following factors will give them more power?

- 1 A closed shop
- 2 If they produce essential services like electricity
- 3 If wages are only a small percentage of total costs

- A 1 only
B 2 only
C 3 only
D 1 and 2
E All of them



- 13 What has happened in the diagram to the equilibrium wage and employment?

- A Wages and employment have risen.
B Wages and employment have fallen.
C Wages have risen; employment has fallen.
D Wages have fallen; employment has risen.
E No change in either.

- 14 Women often tend to earn less than men because:

- 1 The often work part time.
- 2 Employers don't like the possibility of them going on maternity leave.
- 3 Married women appear less mobile than men because of family ties.

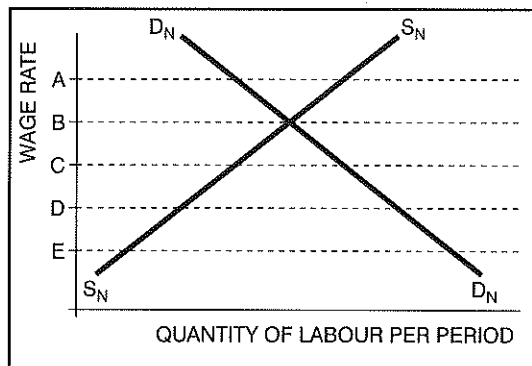
- A 1 only
B 2 only
C 3 only
D 1 and 2
E All of them

- 15 Which of the following initiatives can help raise productivity in a firm?

- 1 Training workers in new and improved skills
- 2 Performance related pay schemes
- 3 New production methods and working arrangements

- A 1 only
B 2 only
C 3 only
D 1 and 3
E All of them

- 16 The diagram below shows possible minimum wage levels a government could impose by law in the labour market for young adult workers. At which minimum wage level will there be an excess supply of labour?



Look at this table showing how much labour is demanded and supplied at given wage rates in the aero-engine manufacturing industry.

Wage rate per hour	Quantity of labour demanded	Quantity of labour supplied
£10	100	50
£20	70	70
£30	40	90
£40	10	110

- 1 Plot on a suitable graph the labour demand and supply curves and label them. (4 marks)
- 2 What will be the equilibrium wage rate and how many workers will be employed in aero-engine manufacture? (4 marks)
- 3 Suggest how each of the following may affect the equilibrium wage and level of employment in the firm:
 - a An increase in labour productivity
 - b A fall in the supply of engineers
 - c A fall in the demand for aircraft
 - d An increase in the pay of engineers in other manufacturing industries
 - e A fall in the price of capital equipment

Explain your answers, using diagrams where possible.

(8 marks)

Money is something we use to buy goods and services. Money is in constant use but we often take it for granted. Yet in the past man existed for many years simply swapping goods and services. This is known as **barter**. However, with the problems of finding a partner to swap with, trying to save perishable goods and trying to agree to a rate of exchange there grew a need for a single commodity everyone would accept in payment for goods and services. Money is a means of exchange, a means of measuring value or pricing commodities, and a store of value; it can also be used in credit arrangements as a means of deferred payment.

Money is used by consumers, firms and governments to buy the services of factors of production, and/or the output of an economy. The market for money consists of all the people and organizations who want to borrow money, and all those people and organizations willing to supply money. The banking system is made up of **financial intermediaries** which act as go-betweens for their customers by attracting savings and making loans. The price of money is the interest rate charged for lending it, or paid to savers.

Notes and coins issued by government, and deposits with financial intermediaries make up the **money supply** in an economy. In modern economies, deposits held in the banking system have become the most important form of money.

Banks have realized that withdrawals of deposits are infrequent and people seldom withdraw all their deposits at once. Banks can lend this idle money to their customers. Cheques are drawn on these loans which must be paid back into the banking system creating more **deposit money**. More loans can then be made. This process is known as **credit creation**.

The banking system consists of commercial banks, merchant banks, finance houses, discount houses and building societies, all specialising in different forms of savings and loans. At the heart of the banking system in an economy is the Central Bank. The Bank of England is the central bank in the UK and a member of the European System of Central Banks. The Governor of the Bank of England is head of the UK Monetary Policy Committee, which meets each month to decide the **base rate** of interest in the UK economy.

MULTIPLE CHOICE

Which of the following does not represent a problem associated with barter?

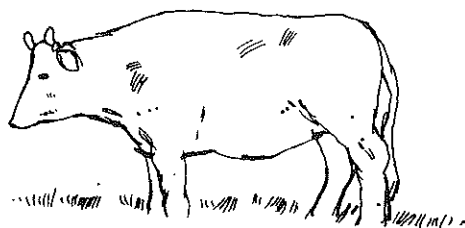
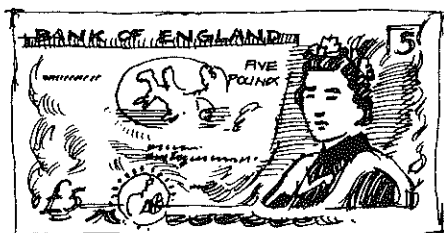
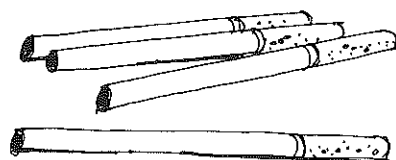
- The difficulty involved trying to save goods
- Agreeing on prices acceptable to traders
- There being no double coincidence of wants
- Prices of goods being readily available
- Specialization of production being difficult

2 All the following are important characteristics of a good money *except*:

- A It is durable.
- B It is in unlimited supply.
- C It is generally accepted.
- D It is carried easily.
- E It is divisible into smaller quantities.

- 3 In which of the following situations would money cease to be a good store of value?
 - A Prices of goods and services are falling slowly.
 - B High unemployment.
 - C Prices of goods and services are rising rapidly.
 - D Increased specialization.
 - E Prices of goods and services are rising slowly.
- 4 Which of the following could be termed a commodity money if they are used in exchange for other goods and services?
 - A Notes and coins
 - B Credit cards
 - C Bank deposits
 - D Sugar cubes
 - E Cheques
- 5 Which of the following is a function of a Central Bank but not a commercial bank?
 - A Holding deposits
 - B Making loans
 - C Offering financial advice
 - D Controlling the money supply
 - E Changing foreign currencies
- 6 Liquidity is defined as:
 - A The ability to convert paper money into gold.
 - B The ability to save.
 - C The ability to convert cash into goods and services.
 - D The ability to convert assets into cash.
 - E The ability to accumulate wealth.
- 7 In general the supply of money in a modern economy is best defined as:
 - A Notes issued by the Central Bank.
 - B Coins, notes and bank deposits.
 - C All items of legal tender.
 - D Coins, notes and deposits with financial institutions.
 - E Notes and coins.
- 8 Building Societies obtain their funds from:
 - A Buying and selling property.
 - B Government.
 - C Savers.
 - D Selling shares on a stock exchange.
 - E Borrowing from commercial banks.
- 9 Which of the following assets is the most liquid?
 - A A 90-day savings account
 - B The value of a life insurance policy
 - C Gold jewelry
 - D Notes and coins
 - E A 10-year government bond
- 10 Finance houses specialize in:
 - A Banking services for businesses.
 - B Helping consumers to buy goods on credit.
 - C Lending money for hire purchase.
 - D Keeping money safely for customers.
 - E Helping customers make and receive payment.

Look at the pictures below.



- 1 Which of the items above could be used in a barter exchange? (4 marks)
- 2 Why did barter prove so difficult? (4 marks)
- 3 The introduction of money can overcome the problems of barter, but which of the above items could act as a 'good' money? Consider each one in turn and explain your answers. (10 marks)
- 4 What three functions must your 'good' money perform? (6 marks)
- 5 Many people hold liquid assets which can be changed back into cash when they need it. Give three examples of widely-held liquid assets. (6 marks)
- 6 What effect will price inflation have on the value of money over time? (4 marks)